

Trustee Insights

BOARD SUCCESSION PLANNING



Leadership Succession as a Strategic Imperative

4 keys to ensure a smooth transition to a new board chair

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Board leadership succession planning is a critical aspect of effective governance.

Selecting a board chair is one of the most important decisions a board and a CEO will make, and committing to serve in that leadership role is one of the most important decisions a trustee will make. Board leadership transitions can serve as natural inflection points for hospital and health systems. Identifying the trustee best suited to assume the chair role and investing in a well-planned transition

will position the organization for continued strategic progress and prepare the future board leader for success.

As the board and CEO, along with potential candidates, engage in chair succession planning, there are four key considerations to ensure a smooth transition and maximize the new board leader's term.

1 Refining Structure and Process

Board leadership terms and term limits should be clearly outlined in the organization's bylaws. Doing so frames succession needs for the governing body. Looking ahead and preparing for the next board leader should be a continuous process.

The CEO, current board chair and other board leaders — such as the chair-elect or governance committee chair — should be observing and evaluating trustees for leadership potential on an ongoing basis. Keep succession in mind when appointing committee chairs and task force leaders, and use these roles to assess and prepare future board leaders. The CEO and key board leaders should formally meet at least annually to develop and refine lists of potential successors. Ideally, this documented plan will encompass two or three future chair terms and identify multiple candidates for each term.

Hospital and health system bylaws should support board leadership transitions by providing for the position of a chair-elect. Placing the future board leader in this role allows for a period of mentoring, relationship building and in-depth organizational learning.

Individual trustee engagement plans are another helpful tool for identifying and cultivating future leaders. These plans can be facilitated by senior leaders, board leaders or nominating or governance committee members. Scheduling annual discussions with trustees to develop their engagement plans provides an opportunity to discover which trustees are interested in taking on committee or board leadership roles, and to identify the support they would need.

For trustees who are interested

in serving the board in a leadership capacity at the committee or board level: Don't hesitate to have that conversation with the CEO or appropriate board leaders. Too often assumptions are made about how trustees want to or can engage in and out of the boardroom. Voicing your interest will provide welcome clarity.

2 Defining Attributes and Competencies

A successful board leadership succession process must begin with strategy. Reviewing the strategic priorities of your organization for the coming two to five years will help define the necessary attributes and competencies of the next board leader. Consider the hard strategic questions to be answered, any partnerships to be negotiated, and the operational and economic headwinds ahead. This analysis will reveal the skill set and traits your next board leader will need to drive those efforts.

In addition to having skills that align with the organization's unique strategic needs, a future board leader requires certain foundational attributes to be successful. A true passion for the mission and the ability to commit significant volunteer time in leading the board are entry requirements for a chair.

Hospitals and health systems are facing headwinds and challenges unlike any time in history. Board leaders must be deeply committed and available in ways that may differ from expectations of past board leadership. It is imperative that the board chair be a strong, effective leader during times of crisis.

Going forward, there should be an underlying assumption that a board chair will face a crisis during their leadership term. Whether another pandemic, a cybersecurity breach or a local or regional disaster, future board chairs must be prepared to balance strategic and crisis leadership as needed.

There are complex decisions and difficult conversations ahead for hospital and health system boards. For trustees who are considering a leadership role: Evaluate your ability to commit the needed time and attention, and assess your comfort and skill level in facilitating difficult conversations with your peers in the boardroom.

3 Focusing on Culture and Relationships

Identifying the attributes and competencies needed to lead an organization's next strategic phase may prove to be a relatively clear exercise. Equally important, but potentially less quantifiable, is the impact of board culture and key relationships. With each chair transition there is an opportunity to evaluate the board culture and determine whether the goal should be to reinforce current values, norms and assumptions or change or advance any of these cultural elements. This assessment will inform the type of leader needed for the next phase of the board's life cycle.

Creating a healthy board culture requires intentionality and leadership. An organization may have a progressive and highly functioning board, or it may be characterized by complacency or strife. Board leaders are pivotal in shaping the culture within

which the governing body operates.

In addition to a healthy board culture, the rapport and trust between a CEO and board chair are crucial. Consider the existing relationship between any potential board chairs and the CEO and senior management team. While those relationships will grow over time, they must begin from a place of trust and openness. Also evaluate relationships with other trustees and how the potential future board chair is viewed and respected by their peers. While the quality of culture and relationships are harder to quantify, these elements are essential in defining a board's needs and can lead to stalled strategic progress if ignored.

For trustees interested in a board leadership role: Assess your ability to influence board culture and your willingness to drive needed changes. As a current trustee, work to build relationships with the CEO and the senior management team by engaging in dialogue inside and outside of the boardroom and lending your voice and time to support the organization and the team.

4 Investing in Preparation

Once a chair-elect has been identified, the existing chair, senior management team and chair-elect all have important roles to play in preparing for the leadership transition. At the discretion of the current board chair, the chair-elect should be included in meetings with the CEO and board meeting preparation or debrief discussions. The current board chair should be open and candid in mentoring the chair-elect.

The chair-elect should embrace that mentorship and simultaneously develop their own point of view and approach as the board leader.

The chair-elect also should take the opportunity to learn from the senior management team. This could include investing one-on-one time with the chief financial officer to gain a deeper understanding of the health system's financials or payer contracting, meeting with the chief strategy officer to clearly articulate the strategic plan or talking with the chief information officer or chief information security officer to better grasp the current cybersecurity risk management plan.

The chair-elect should seek out information and build relationships in advance of beginning their leadership term. The chair-elect might consider getting additional training — such as on meeting facilitation, conflict resolution or public speaking

— and ask for help obtaining those resources. Hospitals and health systems offer many training and learning opportunities. The chair-elect should attend as many board committee meetings as possible to obtain a deep understanding of the work accomplished at the committee level and build relationships with committee leaders. Providing the chair-elect with ample time and opportunities for learning and relationship building will facilitate a seamless transition to board leadership.

Preparing for the Future

A strong and progressive board leader is a key strategic asset for a hospital or health system. Investing time and attention in ongoing succession planning is essential to maximizing good governance and advancing strategic priorities.

Boards and senior management teams should reflect on succession planning efforts and evaluate where the process might be enhanced to better serve the organization, board and future board chairs.

Hospitals and health systems will improve overall governance and ensure board effectiveness for years to come by refining the board succession structure and process, gaining clarity on desired attributes and competencies, focusing on culture and the CEO-board relationship, and being intentional in preparing future board leaders.

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